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Citrus

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Report Highlights:

Fresh orange, grapefruit and lime production is forecast to increase for MY 2003/04, due to better weather conditions. Fresh concentrate orange juice production is also forecast to increase for MY 2004, but lower international prices could limit production. Exports for all products are expected to increase for MY 2003/04.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Mexico [MX1]
[MX]

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Section I. Situation and Outlook

The citrus area is recovering from the dry weather conditions that prevailed along the Gulf of Mexico during MY 2002/03; these conditions affected orange production more than grapefruit or lime production. The fresh orange production forecast for MY 2003/04 is 3.4 MMT, an increase of 13 percent compared to the MY 2002/03 production estimate. Frozen concentrate orange juice (FCOJ) production for MY 2004 is forecast to increase slightly because of more available fresh oranges.

Total production of Key Limes and Persian Limes for MY 2003/04 is forecast at 1.8 MMT, 6 percent higher than MY 2002/03, due to more acreage coming into production. Persian and Key Lime exports for MY 2003/04 are forecast to increase to 335,000 MT. Grapefruit production for MY 2003/04 is forecast at 312,000 MT. Grapefruit from the states in the Gulf of Mexico are also recovering from the past dry weather conditions. Grapefruit production in the state of Michoacan, which was not affected by the dry weather conditions, is increasing. Grapefruit exports for MY 2003/04 are forecast to reach 4,000 MT. According to growers, grapefruit demand from the European market has been growing steadily.

Section II. Statistical Tables

FRESH ORANGE TABLE

PSD Table						
Country	Mexico					
Commodity	Fresh Oranges		(HECTARES)(1000 TREES)(1000 MT)			
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	11/2001		11/2002		11/2003	
Area Planted	347633	349237	347700	352000	0	350000
Area Harvested	321871	334767	320000	301000	0	320000
Bearing Trees	65018	67623	64640	60802	0	64640
Non-Bearing Trees	5204	2923	5595	10302	0	6060
TOTAL No. Of Trees	70222	70546	70235	71104	0	70700
Production	3844	4020	3600	3000	0	3400
Imports	27	27	32	32	0	32
TOTAL SUPPLY	3871	4047	3632	3032	0	3432
Exports	18	18	17	8	0	10
Fresh Dom. Consumption	3353	3689	3465	2894	0	3222
Processing	500	340	150	130	0	200
TOTAL DISTRIBUTION	3871	4047	3632	3032	0	3432

Fresh Citrus, Other Table

PSD Table						
Country	Mexico					
Commodity	Fresh Citrus,Other			(HECTARES)(1000 TREES) (1000 MT)		
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	11/2001		11/2002		11/2003	
Area Planted	138000	138100	140000	141000	0	142000
Area Harvested	127000	125515	129000	126000	0	127500
Bearing Trees	24765	24475	25155	24570	0	24862
Non-Bearing Trees	2134	2454	2134	2925	0	14500
TOTAL No. Of Trees	26899	26929	27289	27495	0	39362
Production	1600	1680	1620	1700	0	1800
Imports	1	1	1	1	0	1
TOTAL SUPPLY	1601	1681	1621	1701	0	1801
Exports	240	198	245	330	0	335
Fresh Dom. Consumption	1105	1225	1116	1111	0	1196
Processing	256	258	260	260	0	270
TOTAL DISTRIBUTION	1601	1681	1621	1701	0	1801

Fresh Grapefruit Table

PSD Table						
Country	Mexico					
Commodity	Fresh Grapefruit			(HECTARES)(1000 TREES) (1000 MT)		
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	11/2001		11/2002		11/2003	
Area Planted	14700	15877	14400	17000	0	17500
Area Harvested	12600	14368	13000	14900	0	15100
Bearing Trees	2369	2701	2444	2801	0	2838
Non-Bearing Trees	394	284	320	394	0	451
TOTAL No. Of Trees	2763	2985	2764	3195	0	3289
Production	250	297	270	310	0	312
Imports	8	8	9	11	0	8
TOTAL SUPPLY	258	305	279	321	0	320
Exports	2	5	4	4	0	5
Fresh Dom. Consumption	221	265	238	283	0	280
Processing	35	35	37	34	0	35
TOTAL DISTRIBUTION	258	305	279	321	0	320

Fresh Concentrate Orange Juice

PSD Table						
Country	Mexico			65 Degrees Brix		
Commodity	Juice, Orange			(MT)		
	2001 Revised		2002 Estimate		2003 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	01/2002		01/2003		01/2004	
Deliv. To Processors	500	340	150	130	0	200
Beginning Stocks	3000	3000	3000	3000	0	3000
Production	50000	34000	15000	13000	0	20000
Imports	1000	710	1500	900	0	900
TOTAL SUPPLY	54000	37710	19500	16900	0	23900
Exports	47000	30710	13150	9900	0	16900
Domestic Consumption	4000	4000	3350	4000	0	4000
Ending Stocks	3000	3000	3000	3000	0	3000
TOTAL DISTRIBUTION	54000	37710	19500	16900	0	23900

Key Lime Wholesale Prices

KEY LIME WHOLESALE PRICES (PESOS/KG)			
Month	2002	2003	Change %
January	4.25	2.66	(37.41)
February	3.74	6.21	66.04
March	2.21	8.39	279.64
April	2.11	3.19	51.18
May	2.02	1.65	(18.32)
June	2.08	1.75	(15.87)
July	2.66	1.90	(28.57)
August	3.04	2.10	(30.92)
September	2.83	2.30	(18.73)
October	2.33	2.20	(5.58)
November	2.14	N/A	N/A
December	2.09	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVR. EXCHANGE RATE FOR 2002 US\$1.00 = \$ 9.82 PESOS
EXCHANGE RATE OCT. 29, 2003 US\$1.00 = \$ 11.17 PESOS

Persian Lime Wholesale Prices

PERSIAN LIME WHOLESALE PRICES (PESOS /KG)			
Month	2002	2003	Change %
January	2.34	1.89	(19.23)
February	2.69	4.38	62.83
March	4.99	6.79	36.07
April	3.52	8.51	141.76
May	3.45	9.70	181.16
June	2.26	3.69	63.27
July	1.39	1.67	20.14
August	1.33	1.69	27.07
September	1.53	2.02	32.03
October	1.37	1.87	36.50
November	1.51	N/A	N/A
December	1.48	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVR. EXCHANGE RATE FOR 2002 US\$1.00 = \$ 9.82 PESOS
EXCHANGE RATE OCT. 29, 2003 US\$1.00 = \$ 11.17 PESOS

Wholesale Orange Prices

WHOLESALE ORANGE PRICES (PESOS /KG)			
Month	2002	2003	Change %
January	1.12	1.62	44.64
February	1.14	1.74	52.63
March	1.19	2.23	87.39
April	1.54	2.61	69.48
May	2.47	3.05	23.48
June	3.30	4.64	40.61
July	4.01	4.46	11.22
August	4.05	3.78	(6.67)
September	3.54	3.01	(14.97)
October	1.69	2.90	71.60
November	1.71	N/A	N/A
December	1.62	N/A	N/A

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVR. EXCHANGE RATE FOR 2002 US\$1.00 = \$ 9.82 PESOS
EXCHANGE RATE OCT. 29, 2003 US\$1.00 = \$ 11.17 PESOS

Grapefruit Wholesale Prices

GRAPEFRUIT WHOLESALE PRICES BY MAIN PRODUCER STATES						
MONTH	MICHOCAN		TAMAULIPAS		VERACRUZ	
	2002	2003	2002	2003	2002	2003
JANUARY					1.66	1.68
FEBRUARY					1.64	2.69
MARCH						3.53
APRIL					3.07	3.03
MAY	3.39				3.14	2.38
JUNE	3.50	3.57	3.80	3.46		3.46
JULY	3.82	3.54				3.75
AUGUST	3.09	3.50				3.86
SEPTEMBER	2.44	3.50			2.76	2.93
OCTOBER					2.41	2.27
NOVEMBER					2.26	
DECEMBER						

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS
AVR. EXCHANGE RATE FOR 2002 US\$1.00 = \$ 9.82 PESOS
EXCHANGE RATE OCT. 29, 2003 US\$1.00 = \$ 11.17 PESOS

Note: shaded area represents that domestic grapefruit prices were not available.

Monthly Exchange Rate Averages

MONTHLY EXCHANGE RATE AVERAGES			
	2001	2002	2003
January	9.76	9.16	10.59
February	9.70	9.10	10.93
March	9.60	9.07	10.92
April	9.33	9.14	10.61
May	9.14	9.49	10.25
June	9.09	9.75	10.49
July	9.15	9.79	10.44
August	9.12	9.83	10.75
September	9.40	10.05	10.92
October	9.45	10.09	11.17 *
November	9.25	10.19	N/A
December	9.16	10.21	N/A
Annual Avg.	9.35	9.82	N/A
Source: Mexican Federal Register Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico. * As of October 29, 2003			

Section III. Narrative on Supply & Demand, Policy & Marketing

FRESH ORANGES

PRODUCTION

Although there is not an official forecast for MY 2003/04 (November-October) fresh orange production, sources believe production will increase to 3.4 MMT, a 13-percent increase from MY 2002/03 production, due to good weather conditions. Area planted for oranges is forecast at 350,000 hectares for MY 2003/04, a very slight decrease compared to MY 2002/03 area planted, due to more abandoned groves. In fact, grapefruit producers indicate that area planted is decreasing because they are switching to other crops due to high production costs, wide swings in fresh orange prices, and marketing problems.

The orange production estimate for MY 2002/03 has been revised downward to 3.0 MMT, based on official estimates and some private sources. However, other private sources estimate production at an even lower level. Dry weather conditions that prevailed along the Gulf of Mexico affected overall citrus production for MY 2002/03, with the most affected product being oranges. Orange trees had fewer first and second blooms, resulting in lower volumes of oranges. As a result, prices for oranges were high from December 2002 to the end of August 2003. Area planted for MY 2002/03 was revised upward and area harvested was revised downward based on official data. However, some producers disagree with official estimates of area planted, maintaining that there has been no expansion of groves. Production, area planted and harvested for MY 2001/02 has been updated to reflect recent official data.

Countrywide orange yields for MY 2003/04 are forecast to increase to 10.6 MT/ha, due to better weather conditions. Countrywide orange yields for MY 2002/03 are expected at 9.97 MT/ha, lower than MY 2001/02 yields, due to drier weather conditions. Orange yields differ widely depending on the production area. Usually, Veracruz yields range from 10 to 20 MT/ha. In Nuevo Leon, yields range from 12 to 15 MT/ha. In San Luis Potosi, yields range from 7 to 13 MT/ha. This variance in yields is caused by many factors such as weather, input levels, tree density and terrain.

The MY 2003/04 forecast for oranges destined for processing is approximately 200,000 MT, an increase compared to MY 2002/03, due to expected larger supplies of oranges. However, the industry indicates that international prices for frozen concentrate orange juice (FCOJ) have been low, thus limiting production in Mexico. The estimate for oranges destined for processing for MY 2001/02 and 2002/03 was revised downward, based on industry information.

Costs of production have increased for all citrus fruit, especially for imported inputs, such as fertilizers, pesticides, and other agrochemical products which have increased more than the rate of inflation. Production costs vary among the citrus regions and between producers. The average cost of production in some areas in Veracruz for a traditional grove with little intensive cultivation is approximately 4,500 pesos/Ha (US\$398/Ha), while the average cost for a more intensively-farmed grove is about 8,500 pesos/Ha (US\$752) or higher. The cost of production is higher in Nuevo Leon than in Veracruz because of irrigation costs. Costs in Nuevo Leon range from 11,500 to 12,500 pesos/Ha (US\$1,017.70 to \$1,106.20/Ha). Fertilization and pest control accounts for much of the difference between these two different averages. These costs represent approximately 40 percent of total production costs. Average field worker wages are about 60 pesos (US\$5.30) per day, but sometimes producers have to pay 80 pesos (US\$7.08) per day or more to attract enough workers. To harvest oranges,

workers in some areas are being paid more -- about \$200 pesos/MT (US\$17.70/MT), due to competition for workers from the *maquiladoras* and immigration to the United States.

Grower prices at the farm gate for MY 2003/04 began in October at \$600-700 pesos/MT (US\$53.09 - \$61.95/MT) for the early varieties. However, since production is forecast to be higher, prices are not expected to increase as much. Transportation costs from Veracruz to Mexico City are usually 2,500 to 3,000 pesos per 10 MT (US\$221.23 to \$265.50 per 10 MT) for one-day delivery.

There are specific regulations on citrus for virus-free citrus propagative material (NOM-079-FITO-2002) that establish the phytosanitary requirements to produce and transport virus-free citrus propagative material and other viruses associated with citrus. These regulations apply to propagative material, production areas, transportation, and commercial growers. Imported propagative material must originate from certified institutions and comply with SAGARPA's requirements. According to citrus growers, SAGARPA authorities are already monitoring most of the propagative material that is imported into Mexico.

There is a national program for citrus reconversion wherein the government is promoting the planting of CTV-resistant root stock. However, this replanting has been slow as it is very costly. Growers have not yet organized to protect their groves and efforts are being done more on an individual basis, with some producers planting CTV-resistant root stock.

CONSUMPTION

The fresh orange consumption forecast for MY 2003/04 is 3.2 MMT, an 11-percent increase, due to larger supplies at available prices. Final consumption estimates, however, will depend on the final volume purchased by the processing industry. The fresh orange consumption estimate for MY 2002/03 has been revised downward to 2.8 MMT, due to smaller supplies available. The MY 2001/02 consumption estimate was revised upward, based on available information.

Orange prices for MY 2003/04 are expected to be lower due to larger supplies. During the first two weeks of October 2003, wholesale prices of new crop Valencia oranges from Veracruz averaged \$2.67 pesos/kg (US\$0.24/kg), compared to the almost \$4.00 pesos/kg (US\$0.35/kg) that prevailed in July/August 2003. Most of the oranges in the fresh market are destined for domestic fresh squeezed juice.

TRADE

Mexican orange exports for MY 2003/04 are forecast to increase to 10,000 MT, due to higher domestic supplies; however, international demand is expected to be lower due to larger orange supplies in the U.S. Most of the oranges exported to the U.S. are from Sonora, which produces very good, high quality oranges. Mexico will continue to export processed oranges as peeled slices for fruit salads and other foods. The estimate for orange exports for MY 2002/03 was revised downward, due to lower available supplies. MY 2001/02 export estimate remains unchanged.

Mexican orange imports for MY 2003/04 are forecast to be at the same level as in MY 2002/03. Imports are usually small, due to available domestic orange supplies at affordable prices. MY 2001/02 and 2002/03 remain unchanged. U.S. orange exports to Mexico could expand significantly given the zero import tariff in Mexico and the ability of California, Texas and Arizona to ship to Mexico. U.S. orange prices, however, are higher than Mexican domestic produce.

MARKETING

U.S. citrus fruit exporters should be aware of the fact that the Mexican market is more price sensitive than quality sensitive. This is one of the main reasons for limited exports of U.S. citrus products. Despite the excellent quality, prices are four to five times higher than Mexican products. Some attempts have been made by U.S. firms to enter the market, but they have had limited success because of strategies emphasizing quality rather than price. Another limitation for U.S. citrus exports to Mexico are the phytosanitary restrictions. Only citrus fruits coming from the states of California, Texas and Arizona are authorized by the Mexican government to enter the country and must be accompanied by an International Phytosanitary Certificate indicating that the products were grown in fruit fly-free areas.

FRESH CITRUS, OTHER

PRODUCTION

This section covers two citrus fruits that are of economic significance to Mexico: Key Limes and Persian Limes. Mexican Key Limes are grown mainly on the Pacific coast, in the states of Colima, Michoacan, Guerrero and Oaxaca. Most Persian Limes are grown in a micro-climate called "*La Huasteca*" that includes portions of the states of Veracruz, San Luis Potosi, Tamaulipas, and Hidalgo. Oaxaca, Yucatan, and Tabasco, states in the southern part of Mexico, also produce Persian Limes.

Total production of both limes for MY 2003/04 is forecast at 1.8 MMT, 6 percent higher than MY 2002/03 production, due to more acreage coming into production. According to producers, weather conditions in general have been good. Production for MY 2002/03 was revised upward based on official estimates. Despite the fact that weather conditions in Veracruz were drier than normal, Persian Limes production was not as affected as fresh orange production. Other producing areas also had good weather conditions. Production for MY 2001/02 was also revised upward based on official estimates.

Area planted to both Persian and Key Limes has increased in Mexico, due to the fact that limes command good prices on the international market, there is relatively no competition from other countries, and they generate few phytosanitary concerns. Because of this, Persian Lime planted area in Veracruz has grown at a faster rate, with some producers replanting orange and grapefruit groves with Persian Limes in order to take advantage of the good international demand and higher prices. Domestic demand for Key Limes has also increased. As a result, new trees are coming into production in the states of Veracruz, Michoacan and Oaxaca. Approximately 30 percent of total area planted is Persian Limes and 68 percent is Key Limes. Due to the excellent winter window (December – February) enjoyed by the state of Michoacan, which allows its Key Limes to hit the domestic market first, planted area is slowly expanding in this state. According to producers, however, the domestic market is almost saturated with Key Limes and therefore a sharp increase in Michoacan's area planted would only result in lower producer profits.

Total area planted for MY 2003/04 is forecast at 142,000 hectares. Area planted for MY 2002/03 was revised upward and area harvested was revised downward based on official estimates. Area planted and harvested for MY 2001/02 was updated based on official final estimates. Nearly 20 percent of the Persian Lime groves in Veracruz use micro-jet irrigation or other irrigation systems and produce all year round. Most of the irrigated Key Lime groves are in the states of Michoacan and Colima and are able to produce all year round. In contrast, almost all the planted area for Key Lime in Guerrero and Oaxaca is non-irrigated.

In Colima, in over half of the Key Lime groves, coconut palm trees are planted in between Key Lime trees in order to increase producer revenue.

The Persian Lime trade tends to be dominated by large producers since production costs for Persian Limes in Veracruz, produced mainly for export, is higher than those for oranges. According to sources, Persian Lime production costs average from 8,000 pesos/Ha to 9,500 pesos/Ha (US\$707.95 to \$840.70/Ha) or more, due to higher prices for imported inputs such as fertilizers, pesticides and other agrochemical products. However, the devaluation of the peso against the dollar has been of benefit to exporters. Well-tended areas can have production costs of \$14,000 pesos/Ha (US\$1,239/Ha). Transportation costs from Veracruz to Mexico City are usually 3,500 to 4,000 pesos/truck (US\$309.73 to \$354.00 / truck), and delivery time averages about 8 hours. The cost of production for Key Limes varies according to the cultural practices and technology used. In the most important Key Lime producing states (Oaxaca, Colima and Michoacan), production costs can vary from 7,000 pesos/Ha to 16,000 pesos/Ha (US\$619.45 to \$1,416./Ha) for the well-tended areas.

Persian and Key Lime yields differ widely depending on production conditions. The yields for Persian Limes in Veracruz mostly range from 8 to 16 MT/Ha, depending on cultural practices, but some yields are as high as 25 MT/Ha. Key Lime yields average between 7 to 12 MT/Ha, with a few well-tended groves reaching 30 MT/Ha. For Key Limes in Colima that are interplanted with coconut palm, yields are generally 50 percent less than in conventional groves.

Grower prices for Persian Limes range from 400 to 800 pesos/MT (US\$35.40 to \$70.80/MT) for the domestic market, and 600 to 3,000 pesos/MT (US\$53.00 to \$265.00/MT) for the export market during January to April. Grower prices for Key Limes fluctuate more than do those for Persian Limes, depending on the season and the producing state. On average, Key Lime grower prices from Michoacan range from 650 to 2,600 pesos /MT (US\$57.52 to \$230.10/MT). Michoacan production is geared toward the winter season (October/February), while production from Colima, Oaxaca and other states cover the rest of the year. There is, however, year-round production for both Key and Persian Limes.

CONSUMPTION

Domestic consumption of both Key and Persian Limes in Mexico depends largely on price. Total lime consumption for MY 2003/04 is forecast at 1.19 MMT. Consumption for MY 2002/03 was revised downward due to higher prices. While prices for both limes began at higher levels compared to those of MY 2001/02, prices for Persian Limes were unusually high during the first quarter due to more export demand. Consumption for MY 2001/02 was revised upward based on more available data. Persian Limes that do not meet the higher quality requirements demanded of the export market, will be consumed domestically.

Most of the Key Limes go to the fresh domestic market, although exports have been increasing recently. In general, approximately 18 to 23 percent of total Key Lime production goes to processing. Producers from Colima and Michoacan indicate that approximately 35 to 40 percent of their limes go to processors. Official information on the processing industry, however, is unavailable. About 60 to 70 percent of Persian Limes from Veracruz go to the export market and the rest go to the fresh market and processing plants. This balance, however, depends on U.S. demand.

Mexican Key Limes and Persian Limes compete for the same market. When Key Limes and Persian Limes are both present in the domestic market, prices are relatively low. At the onset of the Persian Lime harvest season (August or September), prices for both drop. After a month or two, however, when Persian Lime growers begin to export, prices for Persian

Limes increase and remain high until April or May when exports of Persian Limes stop and both crops are again competing for the fresh domestic market. Key Limes from Michoacan, Colima and Oaxaca are sold on the wholesale market in 18-20/kg boxes; those from Guerrero are sold in 20-22/kg bags. Persian Limes are sold in the wholesale market in 50-100/kg bags.

TRADE

Persian and Key Lime exports for MY 2003/04 are forecast at 335,000 MT, a slight increase from the preceding year estimates, due to continued good international demand. International prices for Persian Limes for MY 2002/03 were about US\$10 to \$30 per 40-pound box. Growers are expecting prices to rise to US\$12 to \$15 per box for December and January 2004. Persian Limes reach, on average, US\$20 to \$30 per 40-pound box when international prices are good. Exporters indicate that Brazil is competing with Mexico for the European market. Export estimates for MY 2002/03 were revised upward, due to greater international demand. Exports for 2001/02 were revised downward based on trade data. According to producers, Persian Limes from Mexico supply about 40 percent of the U.S. and Canadian markets. However, lime producers are expanding into new markets in Japan and Europe. Lime imports continue to be low due to ample domestic supplies at available prices. MY 2003/04 imports are forecast at 1,000 MT. Data for MY 2001/02 and 2002/03 remain unchanged.

Mexico's tariff rate on imported limes from the United States is zero under NAFTA. The U.S. tariff rate for Persian Limes is zero. The U.S. tariff phase-out for Key Limes is not expected to substantially increase lime exports to the United States in the short term. Mexican exports depend on U.S. demand and price.

FRESH GRAPEFRUIT

PRODUCTION

Although there is no official forecast for grapefruit production for MY 2003/04, producers believe grapefruit production could reach 312,000 MT. Weather has been relatively good in most areas, especially in Michoacan, where area planted continues to grow. Production estimates for MY 2002/03 were revised upward to 310,000 MT, due to good weather. Producers indicate that some well-tended groves in Veracruz increased yields. In the state of Michoacan the groves are still relatively new, and, having entered the sixth or seventh year of production, are now just reaching their maximum-bearing potential. However, growers indicated that dry weather conditions had affected grapefruit production in some areas of Nuevo Leon, Tamaulipas and Veracruz. Like Persian and KeyLimes production, grapefruit production was not as affected as was orange production by these dry conditions. Grapefruit production estimates for MY 2001/02 were revised upward based on official data.

Area planted for MY 2003/04 is forecast at 17,500 hectares. Area has been increasing mainly in the state of Michoacan where area planted has grown 30 percent since 2001. Although the state of Veracruz, the state with the largest grapefruit production, increased area planted, this has been offset by abandoned areas in other parts of the state. Costs of production, such as imported agrochemicals and fertilizers, have increased due to the devaluation of the peso against the dollar. Area planted and harvested for MY 2001/02 and 2002/03 was revised upward based on official estimates. Most of the new planted areas are geared towards the European export market.

There are two types of grapefruit planted in Mexico: the red table varieties produced in Tabasco, Campeche, Michoacan, Nuevo Leon and Veracruz, which are for export to the United States and Europe as fresh fruit; and the white fleshed varieties produced in Tamaulipas and Veracruz for juice production or for peeled slices. According to growers, planting of red varieties is increasing because of increased export demand.

According to growers, the MY 2003/04 forecast for grapefruit destined for processing will be approximately 35,000 MT. However, this information is difficult to find since it is not published by official sources and companies treat it as confidential information. Grapefruit is used for peeled slices or juice production. Grapefruit for processing purposes for MY 2002/03 was revised downward as there was less fruit available for the industry. Grapefruit for processing for MY 2001/02 remained unchanged.

Overall average yields for MY 2003/04 are forecast at 21 MT/Ha. Average yields for MY 2002/03 are estimated at 20.8 MT/Ha because of the dry weather conditions that affected some producing states. An overall normal yield for grapefruit is approximately 23 MT/Ha. Veracruz accounts for about 58 percent of Mexican grapefruit production and has the highest yield in the country with 20 to 28 MT/Ha. Michoacan follows with 11 percent of production and yields between 11 to 15 MT/Ha. Nuevo Leon accounts for almost 9 percent of total production of grapefruit with yields of 18 to 21 MT/Ha. In other states, yields vary from 10 to 15 MT/Ha. Grower prices for MY 2003/04 in Veracruz for October 2003 are approximately \$1,000 to \$1,300 pesos/MT (US\$88.50 to \$115.04/MT) for the red varieties, but prices tend to drop by November. Average grower prices for Nuevo Leon began at 1,000 pesos/MT (US\$88.50/MT). Since Michoacan has developed areas with red varieties that can be harvested in June/July, grower prices tend to be higher.

CONSUMPTION

Grapefruit consumption for MY 2003/04 is forecast at 280,000 MT. Although demand for grapefruit has increased in the past years, due to the preference of consumers for low calorie foods, some producers believe that domestic demand will be lower this year, due to a sluggish economy. Consumption estimates for MY 2001/02 and 2002/03 were revised upward based on available information. Prices for MY 2002/03 were higher compared to the previous year due to a higher demand. Wholesale prices for October 2003 in Mexico City began at approximately \$2.30/kg (US\$0.20/kg) for the Veracruz crop, which is lower than last year's October price of \$2.40 pesos/kg (US\$0.23/kg). Growers indicate that there is no premium on quality, as consumers are more interested in lower prices. This trend also affects grapefruit consumption versus other more accessible fruits like oranges. Since Michoacan can harvest earlier than Veracruz, Michoacan producers can often command higher prices in the domestic market. Michoacan wholesale prices for July/September were approximately \$3.50/Kg (US\$0.31/kg).

TRADE

Grapefruit exports for MY 2003/04 are forecast to reach 5,000 MT. According to growers, demand from the European market has been growing steadily. Although grapefruit exports are geared to the European and Japanese markets, exports are still small. Exports for MY 2002/03 remained unchanged. Export estimates for MY 2001/02 were revised upward based on trade data. However, any substantial increase in grapefruit exports, will depend on advances in the phytosanitary area and technological practices. According to producers, Nuevo Leon is preparing the way to implement fruit irradiation facilities for exporting fruit.

MY 2003/04 imports are forecast at 8,000 MT. Data for MY 2002/03 imports was revised upward, due to less domestic fruit available. Grapefruit imports for 2001/02 remain

unchanged. While likely to expand slightly U.S. grapefruit exports to Mexico will still be relatively small. According to sources, most of the imported grapefruit from the U.S. is further processed for re-export to U.S. and European markets.

FROZEN CONCENTRATE ORANGE JUICE

PRODUCTION

Frozen concentrate orange juice (FCOJ) production for MY 2004 (January-December) is forecast at 20,000 MT, an increase compared to MY 2003 production because of expected higher fresh orange production and lower fresh orange prices. Juice production depends heavily on the international price of FCOJ. FCOJ future contracts for CY 2004 are about US\$0.68/lb, which is a very low price. The FCOJ production estimate for MY 2003 was revised downward, due to smaller orange supplies. FCOJ future contracts for CY 2003 were about US\$0.71/lb to US\$0.87/lb.

The industry is expecting to buy fruit for 2004 at lower prices than it did in MY 2003. The industry bought fruit for MY 2003 at higher prices than it did in MY 2002. The industry bought fresh fruit on average from \$600 to \$1,000 pesos/MT (US\$55.55 to \$92.59/MT) during February/March 2003. Since the fresh market received higher prices due to shorter supplies, the processing industry had to pay higher prices, which meant smaller profit margins for the industry. Most of the oranges in the fresh market are destined for domestic fresh squeezed juice.

The general uncertainty of the FCOJ industry has not changed from previous years. Unless FCOJ export prices are good, thereby enabling processors to increase the price paid to fruit producers, it is unlikely that juice concentrate production will increase dramatically. Due to financial problems of the processing industry, there has been a concentration in ownership. Of the 22 Mexican juice plants previously in operation in, only 7 are currently running.

CONSUMPTION

In general, the industry does not expect MY 2004 domestic consumption to increase because of the availability of fresh oranges in the domestic market. The majority of Mexican consumers prefer and demand fresh squeezed juice instead of processed orange juice. Consumption estimates for MY 2002 and 2003 remain unchanged. Most of the orange juice produced in Mexico goes to the export market. According to processors, there is usually about a 3,000 MT carryover of FCOJ from one year to the other.

TRADE

Exports of FCOJ for MY 2004 are forecast to reach approximately 16,900 MT. Exports are expected to be higher because of an expected larger availability of domestic oranges for processing at available prices. However, according to industry sources, the U.S. quota might not be filled again. Exports for MY 2003 were revised downward because of a shorter availability of domestic oranges for processing. The United States is the main market for Mexican FCOJ, with Japan and European countries also becoming important markets for this product. Any FCOJ export growth will be limited to the needs of Florida's industry to mix its juice with the higher sugar-ratio and more deeply-colored Mexican juice. Also, export increases will depend on promotion in other markets besides the U.S. Exports for MY 2002 were revised downward based on trade data.

FCOJ imports for MY 2004 are forecast to be similar to those of MY 2003 to cover industry needs. MY 2002 import data was revised downward according to trade data. According to the industry, most imports are for mixing purposes. With domestic consumption almost flat, greater FCOJ imports are not likely for the time being.

Under NAFTA, Mexico has access to the U. S. market for 40 million gallons of FCOJ (single strength equivalent) at one-half of the Most Favored Nation (MFN) tariff rate. Any FCOJ imports above the quota will enter the United States at the MFN rate. This quota will be phased-out in 2008. Exporters of FCOJ need a certificate issued by the Mexican government to be able to export to the U.S. under the NAFTA provisions. The Mexican government allocates the quota amongst most of the producing companies to give them an equal opportunity to share the benefits of NAFTA. When a company cannot cover the designated quota, the Mexican government reallocates the uncovered share to other companies.

A free trade agreement was signed between Mexico and the European Union (EU) on July 1, 2000. Among the agricultural products negotiated in the agreement were fresh orange juice and FCOJ. The EU allows 1,000 MT of fresh orange juice under a quota access to the EU market with a 50 percent tariff under the MFN duty. Also, the EU allows 30,000 MT of FCOJ under a quota with a tariff of 25 percent under the MFN duty. Mexico has begun to increase exports of FCOJ to Germany, the United Kingdom and Japan.